**Notice of Pay Reduction to All Employees**

[Date]

Dear [Company name] employee:

As we are all aware, the economy is posing challenges for everyone. We need to be financially responsible and proactive. To that end, I have asked the executive team to review all business goals, objectives and processes in order to find ways to decrease expenses, increase revenue and protect the future well-being of [Company name].

As a result of this analysis and in an effort to manage company assets conservatively during this economically challenging time, the executive team has come to a difficult but necessary conclusion. Effective [date], all exempt employees will receive a 5 percent reduction in their annual salary and all nonexempt employees will receive a 5 percent reduction in their hourly pay rate. In addition, all overtime work will cease and employees are expected to continue to work their regular full- or part-time schedule.

This was an extremely tough decision, and we understand the impact this will have on you and your family. However, please know that we considered several other alternatives, and the choice we made is the best option at this time and will have the least impact on our employees overall.

The executive team will continue to monitor [Company name] finances and reevaluate this decision each quarter this year. We believe the outcome from this measure will better position the company for a solid financial future.

We appreciate all of your hard work, and we know we will have your support as we all strive for continued business success. Should you have any questions, please don’t hesitate to speak with your manager or contact human resources.

Sincerely,

[Name]

CEO/President